

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking on the  
Commission's Own Motion to Adopt New  
Safety and Reliability Regulations for Natural  
Gas Transmission and Distribution Pipelines  
and Related Ratemaking Mechanisms.

Rulemaking 11-02-019  
(Filed February 24, 2011)

**REPLY COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES ON THE  
PROPOSED DECISION ADOPTING REVISED GENERAL ORDER 112-F**

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February 17, 2015

## I. INTRODUCTION

Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure (Rules) the Office of Ratepayer Advocates (ORA) submits these brief reply comments on the Proposed Decision (PD) to Revise General Order (GO) 112-E. These comments focus solely on the gas utilities' proposals for interim rate recovery.

In their Comments on the PD, three of the natural gas utilities propose various mechanisms to ensure rate recovery for work they claim will be required before their next General Rate Cases (or other applicable proceedings) if GO 112-F becomes effective January 1, 2016, as proposed:<sup>1</sup>

- Pacific Gas and Electric Company (PG&E) requests a balancing account, incorporated into rates each year through the Annual Gas True-Up Advice Letter Filing.<sup>2</sup>
- Southern California Gas Company and San Diego Gas & Electric Company (SDG&E) request a memorandum account, to be incorporated into rates through their annual regulatory account balance update filing.<sup>3</sup>

This is not a new issue. ORA and The Utility Reform Network addressed these recovery issues in their July 2014 Joint Comments in this proceeding:

In light of the utilities' claims that at least some of the rule changes would have significant cost impacts, no rate changes should be allowed until the utilities have made the requisite showing, in an evidentiary record pursuant to Public Utilities Code Sections 451 and 454, that their proposed costs are just and reasonable. The annual update filings that the Sempra Utilities reference do not afford such an opportunity to fully examine the utilities' proposed costs.<sup>4</sup>

TURN and ORA supported PG&E's position on this issue as articulated in its

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<sup>1</sup> Southwest Gas Company did not comment on rate recovery in its PD Comments.

<sup>2</sup> PG&E PD Comments, p. 4.

<sup>3</sup> Joint Southern California Gas and SDG&E PD Comments, p. 6.

<sup>4</sup> TURN and ORA Joint Reply Comments on Proposed Rule Changes to GO 112-E, July 25, 2014, pp. 3-4.

July 18, 2014 comments on the revisions proposed to GO 112-E at that time.<sup>5</sup> While PG&E's position has changed so that it now prefers a balancing account, ORA continues to support PG&E's prior recommendation that the utilities coordinate their compliance with any rules changes in conjunction with the applicable rate case cycle.

If the Commission is inclined to allow recovery for any new compliance costs for the period before a utility's next GRC, then ORA proposes that:

- 1) Such costs should be tracked through a memorandum account;
- 2) Only new incremental costs should be permitted to be recorded in the memorandum account; and
- 3) Such costs should be subject to reasonableness review.

To facilitate the reasonableness review, the utilities should be directed to file an application requesting authority for recovery of these incremental costs including evidence that such costs are incremental to previously authorized GRC costs.

Respectfully submitted,

/s/ TRACI BONE

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<sup>5</sup> PG&E July 18, 2014 Comments, p. 11:

When the Proposed Rule Changes to GO 112-E are finalized and adopted by the Commission, careful consideration should be given to the timing of implementation. Certain of the rule changes will require new procedures to be developed and training to be completed. Also, certain of the changes will have significant cost impacts, and if implemented between utility rate case proceedings may result in unintended cost recovery challenges.

For these reasons, PG&E recommends that each utility implement the changes to GO 112-E in conjunction with its applicable rate case cycle, in which the utility will provide its plan to implement the changes and provide its funding estimate.